



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0160	Title:	Revise captive insurer laws
Primary Sponsor:	Furey, Timothy	Status:	As Amended in House Committee

- ☐ Significant Local Gov Impact
 ☐ Needs to be included in HB 2
 ☐ Technical Concerns
☐ Included in the Executive Budget
 ☐ Significant Long-Term Impacts
 ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$7,500)	(\$7,500)	(\$7,500)	(\$7,500)
Net Impact-General Fund Balance:	<u>(\$7,500)</u>	<u>(\$7,500)</u>	<u>(\$7,500)</u>	<u>(\$7,500)</u>

Description of fiscal impact: This bill amends the captive insurance company premium tax rate schedule to reflect the impact of the maximum tax of \$100,000. This change has no fiscal impact to the state. The amended bill provides for proration of annual minimum tax payments required of the captive insurance companies in their first year of registration.

FISCAL ANALYSIS

Assumptions:

State Auditors Office

- Under current law, captive insurance companies' pay the maximum tax of \$100,000 when premiums reach \$26,666,667. No premiums are taxed at rates lower than the 0.3% rate.
- This bill retains the \$100,000 cap and does not change the taxes paid by captive insurance companies.
- The proration of first year minimum taxes is anticipated to lower revenue. It is estimated that there would be 12 captive insurance company applications a year. Of those 12, based on past experience, only four will write premiums at a level low enough to qualify for the minimum premium tax.
- It is assumed that applications will be received evenly throughout the year with one minimum premium tax payer licensed in each quarter.
- Before prorating, collections would have been \$20,000 per fiscal year. After prorating, collections are anticipated to be \$12,500 (2500+1250 +5000 + 3750), a net reduction of \$7,500 per fiscal year.

Sponsor's Initials

Date

Budget Director's Initials

Date